

**Master Document – (APPAID)**  
**Activity Code 11015**  
**Annual Examination of Paid Vouchers**  
**Version 1.1, dated November 2002**

<b>B-1</b>	<b>Planning Considerations</b>
<b>Purpose and Scope</b>	
<p>1. The purpose of this examination is to determine if the contractor's voucher preparation procedures are adequate for the contractor's continued participation in the direct billing program. Only those contractor policies and procedures directly related to the accurate preparation of public vouchers will be evaluated under this assignment.</p>	
<p>2. The examination should be based on a random sample of paid vouchers recently submitted directly to government paying offices. The program steps are intended as general guidance and should be tailored as determined by audit risk.</p>	

<b>B-1</b>	<b>Preliminary Steps</b>	<b>WP Reference</b>
1. Research and Planning		
a. Read and become familiar with the applicable sections of CAM 5-1100, 6-1006, 6-1007, and 6-1008, and any recent Headquarters guidance not incorporated in CAM on the direct billing program.		
b. Examine the FAO permanent files including audits of the contractor's billing system internal controls ICAPS (major contractors) or SHORTICQ (nonmajor contractors), audit leads from other relevant audits, and MAARs Control Log and prior audit work packages to become familiar with contractor's policies and procedures for preparation of public vouchers and to identify areas of high risk.		
2. Entrance Conference and Preparation		
a. Arrange and conduct an entrance conference with particular emphasis on requesting the contractor to provide a list of all public vouchers submitted directly to government paying offices within the last 12 months.		
b. Randomly select a sample of vouchers (including first vouchers submitted on contracts) from the above list of public vouchers and perform the audit steps contained in section C, Review of Vouchers Submitted Directly to Government Paying Offices. The contractor should provide complete public vouchers including the		

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SF 1035 information.	
c. Update the information in the permanent files as needed.	

<b>C-1</b>	<b>Examination of Paid Vouchers</b>	<b>WP Reference</b>
	1. Determine that the vouchers are mathematically correct and error free. All columns have accurate totals showing the computation of the billed quantities and unit prices. This will normally be done only if past experience with the contractor has revealed weaknesses in its billing procedures or if mathematical errors have been otherwise noted.	
	2. Determine that vouchers are prepared using current amounts in the cost accounting records/job summary report or similar cost ledger, by job category and cost element. Reconcile costs billed to costs booked for billing period under review.	
	3. Determine that vouchers are prepared using ACO or DCAA approved provisional billing rates, or if lower, contract rate ceilings or dollar limitations. See FAR 42.704(b) for further requirements regarding provisional billing rates.	
	4. Determine that billings are based on current contract provisions. Contractor billings should incorporate the terms of contract provisions by conformity to any special contract provisions, modifications, ceilings, or funding limitations. The total amount billed should not exceed any contract, work order, funding limitation, or any other contract ceiling amount.	
	5. Verify that the public vouchers contain current and cumulative billed amounts. The contractor should have procedures to compute the cumulative amounts booked and billed as shown on SF 1035 (continuation sheet).	
	6. Verify that the contractor adjusts billing rates to reflect actual year-end allowable rates. At the end of the contractor's fiscal year, the contractor should compare the recorded allowable rates to the billing rates to determine if billing rates should be adjusted. If there is a significant difference, billings should be adjusted to reflect either the additional amount due the contractor or credit due the government.	
	7. Verify that the contractor is up to date on its submission of incurred cost proposals in accordance with contract terms. (FAR 52.216-	

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7(d)(2)).	
8. Verify that for cost-reimbursement type contracts, if required, the contractor withholds fixed fee after payment of 85 percent of contract fixed fee until a reserve is set aside in accordance with contract terms. The reserve should not exceed 15 percent of the total contract fixed fee or \$100,000 whichever is less. See FAR 52.216-8.	
9. Verify that for time and material and labor hour contracts the contractor withholds 5 percent of billable labor costs, not to exceed a total of \$50,000 per contract. FAR 52.232-7(a)(2).	
10. Verify that, when submitting first vouchers directly to the paying office, the contractor provided a copy of the first voucher to the FAO within five days of the submission of the first voucher to the paying office.	
11. Verify that the contractor is not delinquent in the payment of cost incurred in the performance of the contract.	

<b>A-1</b>	<b>Concluding Steps</b>	<b>WP Reference</b>
	1. Summarize the results of audit.	
	2. Discuss the results with the supervisor.	
	3. Conduct an exit conference with the contractor in accordance with CAM 4-304.	
	4. IF the examination of paid vouchers indicates that continued reliance can be placed on the contractor's procedures for the preparation of interim vouchers, the auditor should draft a memorandum for file documenting the FAO's decision to allow the contractor's continued participation in the direct billing program. However, if the examination of paid vouchers indicates that continued reliance can not be placed on the contractor's procedures for the preparation of interim vouchers, the FAO should follow the audit guidance contained in CAM 6-1007.7c for rescinding the contractor's authority to direct bill.	
	5. Update the permanent files, i.e. ICAPS or SHORTICQ.	
	6. Closing actions should be performed in accordance with FAO procedures. These procedures may require either auditors or administrative personnel to perform various closing steps. Completion of these closing actions should be documented in the	

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working papers and should include:	
a. Include hardcopy printouts of the Administrative and Audit Working Papers indexes, including the supplemental listing of electronic files, in the working paper package.	
b. Ensure all working paper files are "read only" and, if necessary, compressed for final storage. Generally, current Agency software should be used to automatically modify all electronic files for storage.	
c. Two complete sets of electronic working papers must be prepared. The "original" set should be stored in the working paper package. The "archive" set is to be stored separately from the working paper package on removable media such as CD-ROM or diskette. If there will be a short-term need to access the working papers, a third, or "working" set should be stored so as to be available for reference, generally on the LAN. This set should be deleted when no longer needed.	
d. Verify that electronic files stored on removable media are not corrupted and can be unarchived.	
e. Securely enclose the "original" set of electronic files in the working paper package.	